

BEFORE THE IDAHO BOARD OF TAX APPEALS

STEPHEN DICK,	)	
	)	
Appellant,	)	APPEAL NO. 23-A-1232
	)	
v.	)	FINAL DECISION AND ORDER
	)	
BOISE COUNTY,	)	
	)	
Respondent.	)	
	)	
	)	
	)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Boise County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. RP09N04E221511. The appeal concerns the 2023 tax year.

This matter came on for hearing November 15, 2023, in Idaho City, Idaho, before Board Member Leland Heinrich. Appellant Stephen Dick was self-represented. Boise County Assessor Chris Juszczak represented Respondent.

Board Members Leland Heinrich, Kenneth Nuhn, and Doug Wallis join in issuing this decision.

The issue on appeal concerns the market value of an improved residential property.

The decision of the Boise County Board of Equalization is affirmed.

FINDINGS OF FACT

The assessed land value is \$241,000, and the improvements' value is \$252,091, totaling \$493,091. Appellant contends the correct total value is \$380,240.

The subject property is a 2.5 acre residential parcel situated along the Banks Lowman Highway near Garden Valley, Idaho. The property is improved with an 840

square foot bunkhouse constructed in 2009 and a 2,000 square foot detached garage/shop building.

Appellant disagreed with the subject property's assessed value and questioned whether adequate consideration was given to the property's negative attributes. Appellant explained the majority of the subject parcel is swampy and effectively unusable. According to Appellant, several feet of fill dirt would be needed before any additional structures could be constructed on the property. Appellant also noted that due to the high water table, an above-ground septic system is required, which further reduces the amount of usable space.

With respect to the improvements, Appellant explained subject's residence is not a traditional single-family residence but is instead an H-shaped bunkhouse with sleeping quarters on either side of the small, centrally-located kitchen. There are no closets or other storage spaces, and the lights are connected to a single circuit, so all the lights turn on or off at the same time when a light switch is flipped. Lastly, Appellant noted the residence cannot have a washing machine due to the high water table, which further diminishes the appeal to potential buyers.

Turning to the detached garage, Appellant described the structure as a basic pole building with metal siding. It was remarked a notable amount of fill dirt was required to create the building pad upon which the building was constructed. The building has no water or heat, and Appellant only recently added insulation and windows. The roof also has no eaves, which causes the snow to pile up along the exterior walls of the building as it slides off the metal roof. In Appellant's view, the nearly \$110,000 assessed value of the detached garage far exceeded the cost to construct such a modest outbuilding.

Appellant also offered an independent fee appraisal of the subject property commissioned by the previous owner prior to Appellant's purchase of the property in May 2022 for \$368,000. The appraisal evaluated subject as a commercial property and developed value estimates as of April 4, 2022, using the income and sales comparison approaches. In the sales comparison approach, the appraisal analyzed four (4) commercial sales. Sale No. 1 concerned a 1.5 acre parcel improved with a 2,346 square foot retail building in Cascade, Idaho which sold for \$309,000 in March 2022. Sale No. 2 was the \$454,000 purchase in November 2020 of a 1.15 acre parcel in Garden Valley improved with a 4,200 square foot retail building. Sale No. 3 concerned a 5,000 square foot office/shop building situated on a .36 acre parcel in Cascade which sold for \$210,000 in June 2019. Sale No. 4 was a .51 acre parcel in Horseshoe Bend improved with a 3,300 square foot office/retail building which sold for \$220,000 in January 2019.

The sale properties were compared to subject, and appraisal adjustments were made for differences in property characteristics such as size, construction quality, age, and condition. Due to subject's roughly 35:1 land-to-building ratio, which the appraisal characterized as atypical in the commercial market, the appraisal estimated subject has approximately 1.54 acres of surplus land. A separate sales analysis was used to value the surplus land. The appraisal's comparative sales model concluded a total value of \$392,000 for the subject property, with \$134,360 attributable to the surplus land.

For the income approach, the appraisal relied on four (4) lease comparables with lease rates varying from \$0.34 to \$0.83 per square foot. The appraisal utilized a market lease rate of \$0.68 per square foot for subject, for a potential gross income of roughly \$25,000. Using a 5% vacancy and collection loss factor and a 24.09% expense ratio, a

net income of approximately \$18,000 was calculated. The net income figure was capitalized at 7%, resulting in a value indication of roughly \$260,000. After adding the value of the surplus land, the appraisal's income model concluded a rounded value of \$389,000 for the subject property.

Respondent challenged the comparability of the sales included in the appraisal's sales comparison approach. It was noted the sales occurred several years ago and two (2) of the four (4) sale properties were located in a different county. In similar fashion, the lease information utilized in the appraisal's income model was also noted to be somewhat dated, and only one (1) of the lease properties was located in Boise County. Overall, Respondent did not regard the appraisal report as the best estimate of subject's current market value.

Respondent's value evidence consisted of two (2) separate sales analyses. The first analysis centered on subject's land value. Four (4) 2022 vacant land sales from subject's general area were included in the model. The sale lots were characterized as similar to subject in terms of good access, level topography, and mountain views, though none had well and/or septic improvements. The sale lots ranged in size from 2.05 to 2.60 acres and in sale price from \$150,000 to \$250,000. After applying a 0.5% per month time adjustment to the respective sale prices to reflect market conditions on January 1, 2023, Respondent calculated time-adjusted sale prices from \$158,400 to \$251,292, or from roughly \$74,000 to \$123,000 per acre. Subject's 2.5 acres are assessed at \$241,000, of which \$36,000 is attributable to the well and septic improvements, leaving a raw land value of \$205,000, or \$82,000 per acre.

Respondent's second valuation model analyzed seven (7) residential sales which transpired during 2022. The sale properties ranged in size from .78 to 2.14 acres and were improved with residences from 720 to 2,156 square feet in size. Sale prices ranged from \$347,000 to \$500,000. With the exception of one (1), all the sale residences were older than the subject residence, and all had either the same or inferior construction quality ratings as subject. Most of the sales also included outbuildings, though none approached the size of subject's 2,000 square foot detached garage. Sale Nos. 1 and 2 were noted to not have laundry rooms due to high water tables, similar to subject. The sales were each compared to the subject property, and adjustments were made for differences in acreage, construction quality, bathroom count, laundry room, fireplace count, porches and patios, and outbuildings. The result was adjusted sale prices from roughly \$455,000 to \$583,000, with an average adjusted price of approximately \$491,000. Subject's assessed value is \$493,091, which Respondent maintained was reasonable against the adjusted sales data.

Appellant disagreed with Respondent's methodology because it valued subject as a residential property instead of a commercial or industrial property. Appellant noted the appraisal valued subject as a commercial property because that was the prior owner's use of the property. Appellant, however, contended an industrial classification was more accurate, as the property generates no income, but is rather used primarily to store and repair heavy equipment from Appellant's prior business. Appellant further stressed subject's bunkhouse is not particularly well-suited for traditional single-family residential use, as it is comprised only of one (1) bathroom and a kitchen with two (2) open sleeping

areas on either side. In Appellant's view, subject should not be valued as a residential property.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value in fee simple interest or, as applicable, exempt status. This Board, giving full opportunity for all arguments and having considered all the testimony and documentary evidence, hereby enters the following.

Idaho Code § 63-205 requires taxable property be assessed at market value annually on January 1; January 1, 2023, in this case. Market value is always estimated as of a precise point in time. Market value is defined in Idaho Code § 63-201, as,

“Market value” means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

Market value is estimated according to recognized appraisal methods and techniques. The sales comparison approach, the cost approach, and the income approach comprise the three (3) primary methods for determining market value. *Merris v. Ada Cnty.*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). The sales comparison approach is commonly used in the valuation of a residential property. In general terms, the approach examines recent sales of similar property and considers differences in the property characteristics between subject and the sale properties.

In support of a lower valuation, Appellant offered an independent appraisal of the property from April 2022 conducted at the prior owner's behest. The appraisal developed value estimates for the subject property using both the income and sales comparison

approaches. Though the appraisal report was appreciated, there were several concerns from the Board's perspective. First, the appraisal evaluated subject as a commercial property. While there may have been a commercial character to the prior owner's use of the property, Appellant has not continued such use. The property generates no income. The property is likewise not used for any traditional industrial purpose, such as manufacturing. Instead, the property is used for storage of heavy equipment from Appellant's prior business. As this is neither commercial nor industrial use, the only remaining possibility is residential use; therefore, the property should be valued as residential.

Another concern with Appellant's appraisal report was the market data utilized in the analyses. Only two (2) of the four (4) sales included in the sales comparison model and only one (1) of the four (4) lease comparables in the income approach were located in Boise County, yet no location adjustments were made to reflect the local market. Also, only one (1) sale was from 2022, while the others occurred several years prior, and the most recent rent comparable was from 2021. However, no time adjustments were applied to bring the data up to current market levels. Given these and other concerns, the Board was not persuaded the appraisal report represented the most reliable estimate of subject's market value, as a rural residential property.

Appellant was additionally concerned inadequate consideration was given to subject's negative attributes. Of particular note was the high water table, which necessitates an above-ground septic system and prevents use of a washing machine in the residence. The swampy ground also makes further development of the parcel impossible without a notable amount of dirt work to create a stable building pad. Lastly,

Appellant contended the oddly configured bunkhouse negatively affects the property's marketability. Respondent pointed out that high water tables or otherwise difficult topography is common in the area and contended subject was not uniquely impacted in this regard. While the Board agrees some of the attributes highlighted by Appellant could negatively influence a property's market value, such was not demonstrated in this instance. Several of Respondent's sale properties were noted to either lack laundry rooms due to high water tables or had suffered water damage yet had adjusted sale prices near or above subject's assessed value.

Respondent's valuation analyses were better received by the Board, particularly where subject was valued as a residential property. One (1) analysis relied on four (4) vacant land sales in support of subject's land value, and the other analysis used seven (7) improved residential sales to support subject's total assessed value. All the sales transpired during 2022, and prices were time-adjusted as needed. Admittedly there were some notable differences between subject and the sale properties, but such is not surprising given subject's unique characteristics, particularly the H-shaped bunkhouse. That being said, Respondent applied adjustments to the sales to mitigate the differences in property characteristics, which is consistent with accepted standards of appraisal. Respondent's comparative sales analysis indicated a range of value from roughly \$455,000 to \$583,000, with an average of approximately \$491,000. Subject's assessed value is \$493,091, which the Board finds reasonable given the available sales data.

In accordance with Idaho Code § 63-511, the burden is with Appellant to establish subject's valuation is erroneous by a preponderance of the evidence. The Board did not find the burden of proof satisfied in this instance. Though Appellant provided an appraisal

report, the market data utilized in the report was commercial in nature, mostly stale, and from outside the county. Respondent's analyses, by contrast, relied on local residential sales, which yielded a more credible estimate of subject's market value in the Board's view.

Based on the above, the decision of the Boise County Board of Equalization is affirmed.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Boise County Board of Equalization concerning the subject parcel be, and the same hereby is, AFFIRMED.

DATED this 8th day of April, 2024.